This reduction in drug costs could not be entirely allocated to the Maximum Allowable Cost Colorado policy. Factors that should be considered were not identifiable in dollar amounts, i.e., what effect did the M.A.C. policy have on other drugs being prescribed, were in fact lesser expensive generic drugs being prescribed, were there other policies such as "Drug Utilization Review" lowering drug costs?

In summary, it was quite appropriate to assume the bulk of the drugs' cost reduction was due to adoption of the Colorado Maximum Allowable Cost policy.

HEW-SRS PROPOSED REIMBURSEMENT OF DRUG COST:

Recent proposals to adopt the Maximum Allowable Cost on a national basis for the Title XIX Medical Program solicited a response from our Department, which I wish to share with this Committee.

The Department does not take exception to adoption of a Maximum Allowable Cost for certain specific generic drugs, but feels that at this point in time, it would be more acceptable if the Federal government would recommend to each individual state establishment of its own Pharmaceutical Reimbursement Boards, and its own Maximum Allowable Costs, rather than to have the Federal government from a national standpoint dictate to states what the upper limits of the Maximum Allowable Cost should be. Drug manufacturing, marketing, and distribution policies vary from one area of the United States to another, and therefore the Maximum Allowable Cost established for one state many times may be impractical in another state.